

### Preliminary Directions Report Real Estate Market Analysis Ford Truck Plant Site

Presented To:
Ford Site Planning Task Force
April 16, 2007

COLLIERS TURLEY MARTIN TUCKER



#### **OUTLINE**

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- III. Land Use Market Overviews
  - Residential
  - Retail/Commercial
  - Industrial Market
  - Office Market
- IV. Caveats and Condition
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## The Ford Site – From A Real Estate Market Perspective

#### **Attributes**

- Unique River Bluff Views
- Strong Neighborhood Identity Sense Of Pride
- Ford Parkway Cleveland = 100% Corner, Heart of the Neighborhood
- Stable Established Neighborhood Character
- Valuable, Irreplaceable Frontage On The River
- Viable Bus Routes Serve Neighborhood
- Vibrant Retail/Commercial Node At Ford And Cleveland
- Central Location Within The Broader Metropolitan Context
- Proximity To Twin Cities International Airport

#### **Challenges**

- Difficult, Restricted Access
- Too Far From Interstate Or Major Arterial Roadway
- Traffic Circulation Within The Neighborhood Is Problematic
- Potentially Worsening Traffic Congestion
   With Ford Site Redevelopment
- Site Is Somewhat Isolated By A Stable, Established, Built-Up Neighborhood





## Saint Paul Residential Market Overview

#### "The Big Picture"

- Residential Market Is Currently In A "Slow-Down" Phase –
   A "Correction" Mode
- Slump Is Being Felt Locally, Regionally, and Nationally
- All Types Of Residential Are Being Effected:
  - Single Family (record number of homes on market, longer sales cycle, interest rates in a slow creep upward)
  - Condominiums/Townhouses (over-built, over-supplied, too many investors bought on "spec")
  - Rental Apartments (gradually strengthening, urban in-fill sites, properly zoned, are relatively scarce)





## The Single Family Residential Market In Highland Park

- Where the location is desirable, the market at the neighborhood level will remain resilient.
- ► From 2000 to 2006, 250 to 325 homes traded per year in your neighborhood.
- ► Median sales prices increased from \$179,900 in 2000 to \$290,000 in 2005 and then fell back to \$283,000 in 2006.
- ► Average Annual Rate of Appreciation: 2000-2006 @ 7.8%





## Condominium / Townhouse Market In Highland Park

- ▶ 400 new construction townhouses and condominiums came on the market in the Greater Highland neighborhood in the last 5 years
- ▶ Of those, 250 units have been sold or about 40 to 50 sales per year average
- ▶ Sales have slowed down in the last 12 months
- ► Sales have been strongest in the lower end of the price range \$160,000 to \$250,000
- ► Higher end luxury units (> \$400,000) have been slow



### Saint Paul, MN – Apartment Market

#### Overview

- ► Apartment market is gradually strengthening as the For Sale market is softened.
  - Vacancies falling
  - Rental concessions burning off
  - Rents rising
  - Urban, infill sites zoned for rental with desirable locational attributes are extremely difficult to find.
- ► Average metro-wide vacancy is currently 4.7%, compared with 6.1% one year ago.





### Highland Neighborhood – Rental Market

- ► Colliers surveyed 1,300 units covering 9 area properties
- ► 1.0% vacancy
- ► New Projects: West River Commons and River Crossing have leased up very rapidly
- ▶ River views command high rents:
  - Up to \$2,400 for larger units
  - Nearing \$1.50 per square foot





# What About Senior Housing In Highland Park?

- Colliers surveyed 1,300 senior units in Highland Park and surrounding area
- Vacancy was less than 2%
- Rosewood Estates
  - Built in 1996
  - 104 Units
  - Full, No Vacancy
- Strong potential for "Continuance of Care" Housing on Ford site





### **Residential Potential For** The Ford Site

- ▶ Strong market for single-family houses on Ford site at all price levels.
- ► Highest values are likely to be immediately adjacent to Mississippi River Boulevard or anywhere with river views.
- ▶ Ford site has all the ingredients for a great condominium, apartment, or senior residential development
  - River views

- Walkability
- Neighborhood urbanity Proximity to the basics of convenience retail and medical care
- ▶ Best medium density sites are closer to Highland "core" but not necessarily on Ford Parkway.





## A Look Toward The Future For Highland

- ▶ Demand for Life Cycle Housing will Grow
- Aging Baby Boomers and Empty-Nesters will continue to trade down to smaller, more efficient-living units.





#### **Retail Market**

#### Overview

- Retail Market in the Twin Cities has remained consistently strong for the last 10 years.
- ► Current Saint Paul Vacancy: 7.3%
- ▶ Overall Metro Area Retail Vacancy: 6.2%





### The Highland Park Retail Market

- Strong Neighborhood Convenience Retail Market
- Under-Served Market:
  - Strong Demand
  - Many Retailers would like to be in Highland Park but can't find a space.



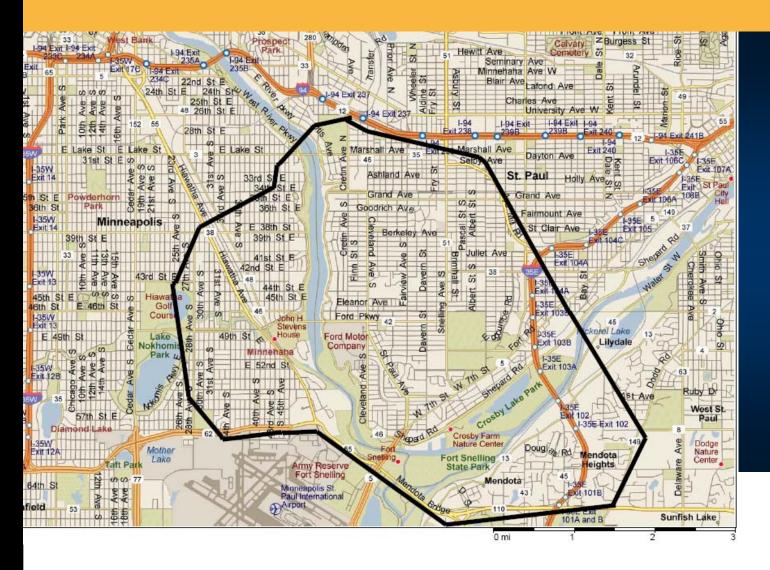
## **Highland Retail Centers**

#### A Snap-Shot

Property Name	Year Built	Size (SF)	Vacancy (%)	Asking Lease Rate
Ford Cleveland Center	1939	40,000	0%	\$25.00
Highland Center	1955	56,675	0%	\$19.00+
Highland Crossing	1994	44,115	0%	\$24.00+
Highland Village	1975	54,085	0%	\$25.00+

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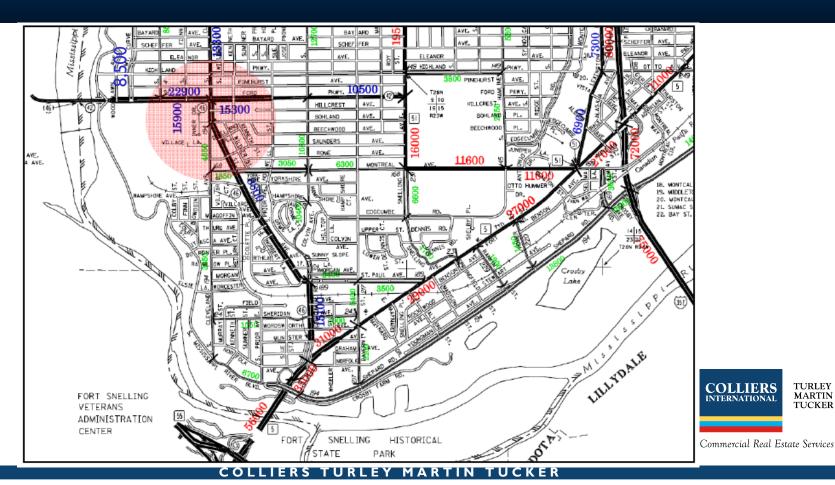


## Primary Retail Market Area





### **Traffic Count Map** Ford Parkway & Cleveland Avenue - St. Paul, Minnesota



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\* 2005 **MnDOT** 



# Supply / Demand Analysis Retail Trade – Highland Park Trade Area

Total Retail Trade & Food and Drink

(Current Dollars)

Supply (Retail Sales) (1)	\$282,332,872	
Demand (Retail Potential) (2)	\$711,776,871	
Retail Gap (3)	\$429,443,999	
Leakage Factor (4)	43.2	

Sources: Colliers, ESRI, Info USA, and Site To Do Business Online

- (I) Supply (retail potential) estimates sales to consumers by establishments in the trade area.
- (2) Demand (retail potential) estimates the expected amount spent by consumers at retail establishments.
- (3) Retail Gap Is Demand (Retail Potential) Minus Supply (Retail Potential)
- (4) Leakage Factor presents a snapshot of retail opportunity with +100 being the extreme of total leakage outside the trade area.





#### **Colliers Recommendation**

#### Ford Site Retail Potential

- ► Potential For Another 100,000-150,000 SF of Neighborhood Convenience Retail
- Structured Parking Deck Advised
- Mixture of Independent Retailers and Some Chain Demand
- ▶ Extend Ford Parkway to become Highland's Retail Street
- ▶ Not a Big Box or Lifestyle Center Site





#### Saint Paul Industrial Market

#### Overview

Current Vacancy (%) [IQ 2007]

	Saint Paul	Metro Area
Bulk Warehouses /	4.7%	16.8%
Distribution Centers		
Office / Showroom	8.7%	11.5%
Office / Warehouse	7.0%	7.7%

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#### Saint Paul, MN – Business & Industrial Parks

#### Saint Paul Success

- Over the past 13 years, City of Saint Paul has successfully developed 7 major Industrial or Business Parks
  - Over 150 acres of Industrially zoned land successfully absorbed and developed for Business Park or Industrial use
  - Nearly 2.0 million SF of improved buildings have been developed, absorbed and occupied
  - Over 2,700 jobs have been created
  - Average hourly wage \$18.97
  - Fiscal Benefit to City of Saint Paul: \$4.0 million + In Annual Property Tax Revenues
- ▶ Now a shortage of development ready Industrial sites for new job creation.





#### Saint Paul's Industrial Future

- Industrial absorption will continue to trend in a positive direction during the remainder of the decade
- ► Industrial land will continue to be relatively scarce in Saint Paul
- ▶ Industrial rents will likely remain strong in Saint Paul in the near future





### Re-Use Potential of the Plant Buildings

- ▶ Not Up To Modern Day Industrial Standards
- Varying Ceiling Heights
- ► Functionally Obsolete Facility
- ► Economically Obsolete Facility
- ▶ Not Enough Dock Doors for Shipping/Receiving by Truck
- Not Air Conditioned





## Will Another Automotive Manufacturer Re-Tool This Facility?

"Speaking frankly, there is no way that the 2 automobile companies that we represent would take an old plant and fix it up. That's just not the formula that they use. And in fact, we're engaged in a couple of different site searches right now for new Toyota plants. One may be in the United States, and one may be in Mexico."

#### Mike Condon, Senior Vice President, Colliers

Represents Toyota and Mitsubishi Motors in all their Real Estate and Facilities needs in North America

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## Will Another Automotive Manufacturer Re-Tool This Facility?

"Saint Paul would be a difficult location for us because of its distance from our supplier base. We typically do not use or would not use someone else's plant."

Sandy Smith, Real Estate Director Toyota

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#### Ford Site Industrial Potential

- Arterial and Roadway Traffic access to site should be improved/upgraded before the site becomes viable for Light Industrial/R&D/High Tech use
- ► Potential for up to 30 acres or 24% of site could be dedicated to High Finish, Light Industrial space
- Light Assembly/High Tech/Medical/Manufacturing/ R&D/Laboratory/Fabrication/Business Service uses could be attracted to Ford Site





#### Saint Paul Office Market

#### Overview

- ▶ Office Market in Saint Paul, outside of the Central Business District Downtown is surprisingly strong
- ▶ 8.5% Vacancy in Saint Paul outlying areas vs. 27.7% in CBD





## **Highland Park Office Market**

#### A Snap-Shot

Property Name	Building Size (SF)	Current Vacancy (%)	Annual Rental Rate (SF)
Highland Bank	22,000	0%	Single-Tenant
The Plaza Building	86,673	0%	\$10.00 - \$18.00
Haskell's Square	20,110	0%	\$19.00





#### Office Potential On Ford Site

#### Overview

- ▶ Modest Multi-Tenant Potential Up To 100,000 SF
- Low Density, Free Standing Buildings or Above Ground Floor Retail –
   Neighborhood Scale Office
- Neighborhood Service Orientation (Smaller Suites/Attorney/ Accountant/Insurance Agency/Medical/Dental)
- Modest Corporate Campus Potential
- Stronger Institutional Campus Potential
- ► Whatever Development Goes On The Ford Site Will "Make" The Office Market





### **MNSCU Training Center**

- ► Should Be Retained As A Training Center
- MNSCU Wants To Retain Presence And Expand Training Capacity
- ► Civic / Community Center Focal Point
- ▶ Community Playhouse / Theater
- ► Ford Legacy Value
- ▶ Recreation Center Redevelopment Value?





## Corporate Headquarters Campus Potential

- ▶ Traffic / Road Access Must Be Improved
- Other Location Amenities Would Make It An Attractive Site





#### **Institutional Use Potential**

- Strong Potential
- ► Attractive Location Attributes





#### **Caveats & Conditions**

- ▶ Environmental Condition
- ▶ The Tunnels





## Questions & Discussion







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